



EAST KENTUCKY POWER COOPERATIVE

March 30, 2012

Mr. Jeff Derouen
Executive Director
Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40602

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PUBLIC SERVICE
COMMISSION

Re: Case No. 2010-00449

Dear Mr. Derouen:

Please find enclosed for filing with the Commission in the above-referenced case, an original and ten copies of the Smith Unit 1 Asset Cost Mitigation Report (fourth report) of East Kentucky Power Cooperative, Inc. ("EKPC"). This report is being filed pursuant to the Commission's Order of February 28, 2011.

Should you have questions or need additional information, please contact me.

Very truly yours,

A handwritten signature in cursive script that reads "Ann F. Wood".

Ann F. Wood
Director, Regulatory Services

Enclosures

East Kentucky Power Cooperative, Inc.
Smith Unit 1 Asset Cost Mitigation Report
March 30, 2012 (Fourth Mitigation Report)

In accordance with the Commission's Order dated February 28, 2011 in Case No. 2010-00449, this report summarizes the status of East Kentucky Power Cooperative Inc.'s ("EKPC") mitigation efforts to reduce the balance of the regulatory asset through the sale of the Smith Unit 1 physical assets.

As reported in December 2011, EKPC has negotiated final settlement of all Smith Unit 1 contracts. The regulatory asset balance relating to Smith Unit 1 is \$150,848,563 at March 30, 2012. This balance includes expenses associated with marketing the assets and preserving the assets for potential sale.

As the Commission is aware, EKPC is working through an equipment broker to market the Smith assets and to identify and screen potential purchasers. As of March 30, 2012, two hundred sixty-seven (267) inquiries regarding the assets have been received. Twenty-seven (27) of the inquirers have executed confidentiality agreements with EKPC, enabling EKPC to share technical information regarding the assets. Four (4) of the twenty-seven entities who have executed confidentiality agreements are currently considered active prospects. Four (4) active prospects have conducted meetings with the Original Equipment Manufacturers (OEMs) to further evaluate the technical suitability of the Smith assets for their individual projects. Five (5) prospects have conducted site visits with their chosen EPC company and/or financial partner.

EKPC is currently engaged in due diligence activities with one US prospect and three international prospects. One US prospect had provided EKPC with an indicative offer letter to purchase the assets but this prospective purchaser has reduced its interest in the assets and it appears this proposed project likely will not proceed. The strongest interest is currently coming from Central and South America. Three of the prospective purchasers are working with similar timelines. All are targeting the third quarter of 2012 for finalizing their respective project development plans.

EKPC is continuing to pursue the strategy of selling the Smith Unit 1 assets as a complete project. This strategy will continue as long as one or more active prospects are showing interest in purchasing all assets as one package. The options to sell individual components of the project and to dispose of the assets at scrap value are still available to EKPC and will be evaluated once efforts to sell the project in its entirety have been exhausted.